

2018 Net-SILC3 International Conference

Comparative EU Statistics on Income and Living Conditions

Session 2: Income poverty, social transfers (abstracts of all session papers)

Chair: Eric Marlier (LISER, Luxembourg)

Discussant: Frank Vandenbroucke (University of Amsterdam, Netherlands)

- Chrysa Leventi, Andrea Papini and Holly Sutherland (University of Essex [ISER], UK): *Assessing the anti-poverty effects of social transfers: net or gross? And does it really matter?*
- Anne-Catherine Guio (LISER, Luxembourg) and Geranda Notten (University of Ottawa, Canada): *By how much do social transfers reduce income poverty and material deprivation in Europe?*
- Iryna Kyzyma (LISER, Luxembourg): *How poor are the poor? Looking beyond the binary measure of income poverty*
- Eirini Andriopoulou and Alexandros Karakitsios (Athens University of Economics and Business and Council of Economic Advisors, Greece) and Panos Tsakloglou (Athens University of Economics and Business [Greece], IZA [Germany] and Hellenic Observatory [LSE, UK]: *Inequality and poverty in Greece in the years of the great crisis*

- Chrysa Leventi, Andrea Papini and Holly Sutherland (University of Essex [ISER], UK): *Assessing the anti-poverty effects of social transfers: net or gross? And does it really matter?*

The aim of this paper is to explore alternative ways to define social transfers and measure their effects on income poverty reduction in EU-28. Using microsimulation techniques, we attempt to analyse the effects of treating social transfers in net or gross terms, the definition of pensions and their treatment as original income or as social transfers, the role of different types of benefits and the impact of policy interdependencies when constructing hypothetical scenarios where some transfers are set to zero. We find that the average contribution of net transfers to income poverty reduction is smaller than the corresponding contribution of gross transfers. Depending on whether transfers are considered gross or net, the ranking of countries in terms of the anti-poverty effectiveness of their monetary social provision systems also changes substantially. Non-means-tested benefits seem to explain most of the total impact of benefits on income poverty reduction. The countries where means-tested benefits achieve the most significant poverty reduction (both in gross and in net terms) are the UK and Ireland.

- Anne-Catherine Guio (LISER, Luxembourg) and Geranda Notten (University of Ottawa, Canada): *By how much do social transfers reduce income poverty and material deprivation in Europe?*

Since the adoption of the Europe 2020 social inclusion target, the population at risk of poverty or social exclusion has increased in a number of EU countries. It therefore remains important to better evaluate the role and effectiveness of the policies that are mobilised to combat income poverty and social exclusion in Europe. The EU assesses the impact of social transfers on income poverty by comparing the income poverty rate before and after social transfers. So far, no methodology has been developed to get an equivalent estimation of the impact of social transfers on material deprivation and, by extension, on the EU social inclusion target. To enable a comparison with income poverty, this paper develops a parallel approach to estimate the effects of transfers on material deprivation, using the 2015 cross-sectional wave of EU-SILC. The paper builds on previous studies (Notten, 2015; Notten and Guio, 2016) by systematically comparing various multivariate regression techniques to estimate (the number of) pre-transfer material deprivation(s). It uses the resulting income coefficient to predict a household's pre-transfer level of material deprivation. As the estimation of the income coefficient is central to generating this estimate, alternative specifications of the model are tested and various robustness checks are performed in order to test the sensitivity of the results. To illustrate the intended use, the paper presents some preliminary results of the effects of social transfers on the number of deprivation items lacked using the new indicator of material and social deprivation agreed upon at the EU level in 2017 (see Guio et al., 2017). The methodology proposed to assess the effect of social transfers on material and social deprivation has broader applicability: it could also be used to estimate their impact on other social indicators such as housing deprivation or well-being; or to impute missing values for the EU material and social deprivation indicator.

- Iryna Kyzyma (LISER, Luxembourg): *How poor are the poor? Looking beyond the binary measure of income poverty*

This paper contributes to the literature by analysing how poor the income poor are in European countries. We go beyond average estimates of the intensity of poverty and analyse the distribution of individual poverty gaps in each country of interest. We find that, in most European countries, half of the poor have income shortfalls not exceeding 30 percent of the poverty line whereas only a few percent of the poor have income deficits of 80 percent and more. The intensity of poverty, however, varies substantially across countries and is only partially reflected in the traditional summary measures of poverty. The results also suggest that traditional poverty correlates (e.g. age, gender, household arrangements etc.) are significantly associated with the size of normalised poverty gaps but these associations often work in the opposite direction as compared to when the same characteristics are linked to the probability of being poor.

- Eirini Andriopoulou and Alexandros Karakitsios (Athens University of Economics and Business and Council of Economic Advisors, Greece) and Panos Tsakloglou (Athens University of Economics and Business [Greece], IZA [Germany] and Hellenic Observatory [LSE, UK]: *Inequality and Poverty in Greece: Changes in Times of Crisis (IZA Discussion Paper No. 11006, September 2017)*

The Greek crisis was the deepest and longest ever recorded in an OECD country in the postwar period. Output declined by over a quarter and disposable income by more than 40%, while the unemployment rate exceeded 27%. The paper explores the effects of the crisis on the level and the structure of aggregate inequality and poverty using the data of EU-SILC for the period 2007–2014. The results show that inequality rose but the magnitude of the change varies across indices. The recorded increases are larger when the indices used are relatively more sensitive to changes close to the bottom of the income distribution. Unlike claims often made in the public discourse, the elderly improved their relative position in the income distribution while there was substantial deterioration in the relative position of the enlarged group of the unemployed. The contribution of disparities between educational groups to aggregate inequality declined while that of disparities between socio-economic groups rose. All poverty indicators suggest that poverty increased substantially, especially when “anchored” poverty lines are used. Substantial changes are observed regarding the structure of poverty. Despite an increase in the population share of households headed by pensioners, their contribution to aggregate poverty declined considerably, with a corresponding increase in the contribution of households headed by unemployed persons. The changes are starker when distribution-sensitive poverty indices are utilized.